Manitoba

Annual Report 1986 - 87

Communities Economic Development Fund

89-00114/

The symbol of the Communities Economic Development Fund, a view of Manitoba from the north, depicts the Provincial nature of this Crown Corporation and portrays the emphasis the Fund has on small business development in the remote and isolated areas of Manitoba.

Manitoba

Annual Report 1986 - 87

Communities Economic Development Fund

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communities economic development fund

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135A EVERGREEN PLACE
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TELEPHONE (204) 677-9432

Honourable John Plohman,
Minister Responsible for
Communities Economic Development Fund,
Room 118, Legislative Building,
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Plohman:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1987, and a Statement of the Communities Economic Development Fund's accounts for the year, signed and certified in the prescribed manner.

Respectfully submitted,

Hugh Jones,
General Manager.

Annual Report 1986 - 1987

Directors and Officers:

Board of Directors

Ms. Barbara Bruce	Winnipeg
Chairperson (appointed Chairperson September 1st, 1986)	
Mr. William Bennett	Matheson Island
Mrs. Bernice O'Connor	Churchill
(Resigned as Chairperson June 17th, 1986)	
Mr. Nestor Dolinsky	Flin Flon
Mr. Eli Harper	Red Sucker Lake
Ms. Elizabeth Isbister	Norway House
Mr. Arkie Wiens	Winnipeg

Officers

Mr. Hugh Jones	General Manager
Mr. Greg Goodwin	Secretary
Mr. Ted Chiswell	Manager of Finance

General Manager's Review For the Annual Report

During the year under review ended March 31st, 1987, the Communities Economic Development Fund provided 66 loans and guarantees totalling $3.5 million, the highest in the Fund's history during any fiscal year. In addition, 215 jobs were created and/or retained, again the highest total in any fiscal year since the Fund's inception. A 50% increase in the number of applications approved and a 17% increase in the dollar amount of loans/guarantees approved over the previous fiscal year are significant developments in terms of the overall economic enhancement of communities served by the Fund.

Figure 1 provides a graphical description of the history of the Fund in terms of loans approved, the administrative expenses and the write-offs for each fiscal year. Figure 2 shows the outstanding balance at the end of each fiscal year and the administrative expenses incurred in order to monitor and effectively administer the loan portfolio. The analysis shows that the Fund's activities have steadily increased: however, the administrative expenses required to monitor and ensure adequate collection on loans have remained static and write-offs have remained at a level which reflects the development role of the Fund.

Figure 3 provides a graph of the cumulative loan approvals since the Fund's inception and the cumulative write-offs for the same period. In 16 years, 625 loan applications have been approved for $24.5 million, thereby creating and/or maintaining over 2,000 jobs and $3.7 million has been written off.

The Board of Directors continue to meet on a regular monthly basis to establish policy in response to differing economic conditions in the Province and to consider loan proposals. The Fund's professional staff provide ongoing assistance to existing clients while attempting to meet the developmental needs of an increased number of applicants exhibiting entrepreneurial ambition.

Over the year, the Fund has implemented a series of internal changes which will allow us to ensure that the most appropriate decisions can be made on individual applicants, recognizing that the Fund must take certain risks fulfilling its legislative mandate.

During the year, Mr. Musgrove, the former Assistant General Manager and Treasurer, was transferred to the Manitoba Development Corporation to undertake a very important activity with respect to the divestiture of Flyer Industries Limited and we retained Mr. Ted Chiswell as the Fund's Manager of Finance, formally in a senior position in the Provincial Auditor's office.

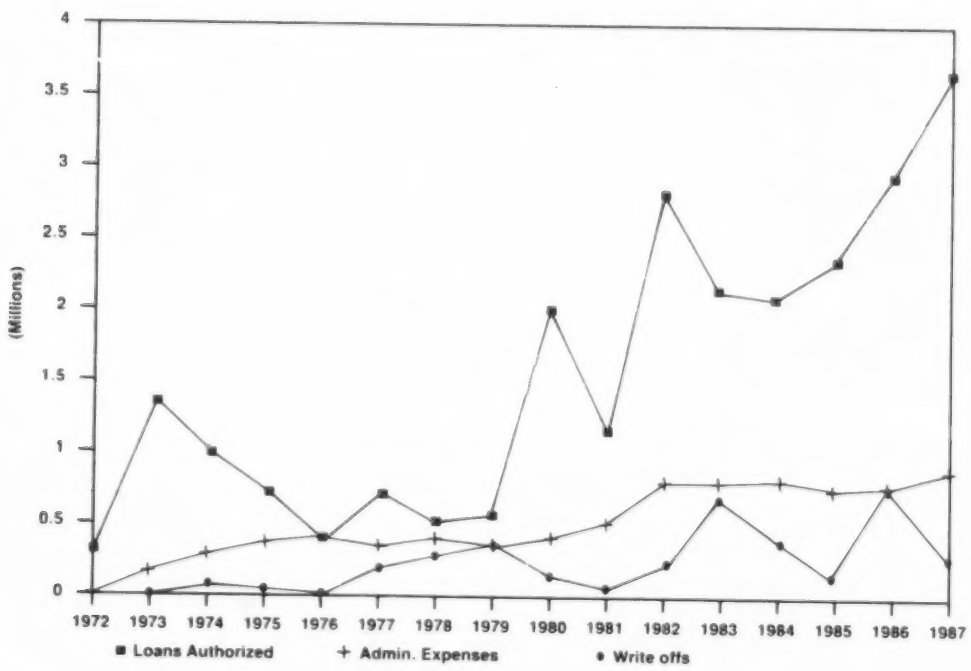

Figure 1

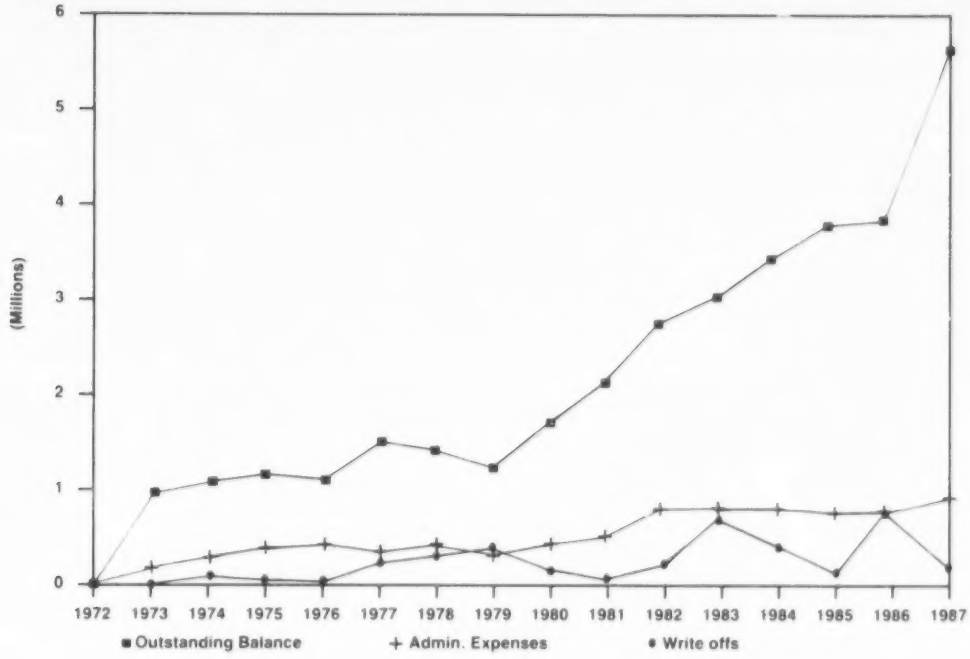

Figure 2

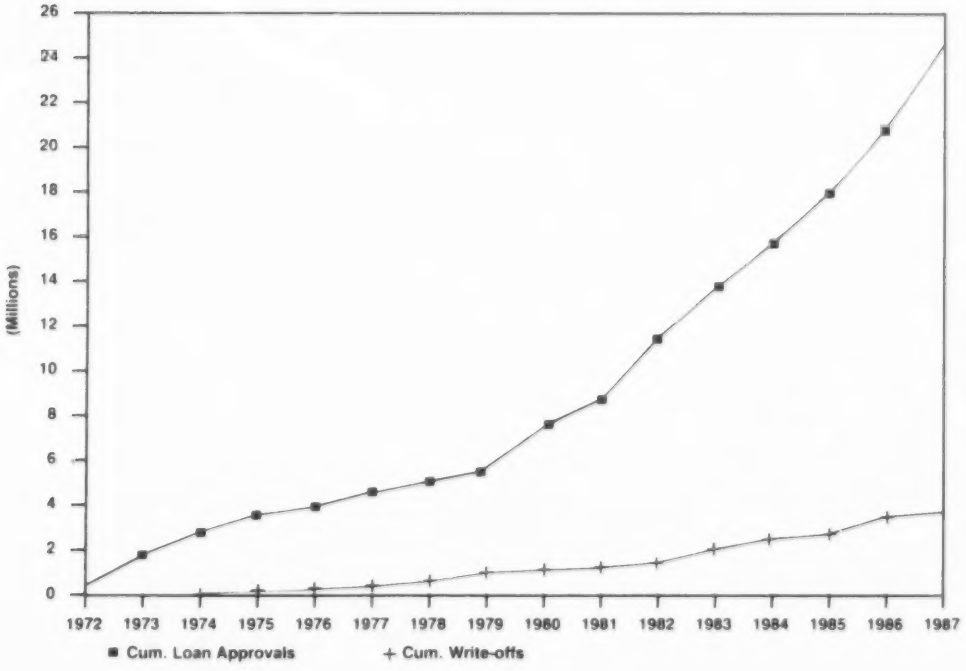

Figure 3

Vital to the Fund's overall efficiency improvement, is the enhanced technological development by way of the acquisition of computer terminals for individual consultants.

I would like to express my sincere appreciation for the ongoing valuable input by the Board of Directors into the operations of the Fund in meeting our overall general objectives, particularly with the demand for the Fund's service increasing so significantly in the past number of years.

The contribution by the staff of the Fund toward meeting the goals and aims of C.E.D.F. must be acknowledged as a vital element in the success of the Fund's operations.

Hugh Jones,
General Manager.

Communities Assisted by the Fund in 1986-1987

- *Cross Lake* — Construction; School Bus; Bus Shuttle
- *Dauphin* — Hair Salon; Skin Care; Audio Store
- *Duck Bay* — Taxi
- *Garden Hill* — Snack Bar; Pool Hall
- *Garland* — Freighting
- *Gimli* — Manufacturing
- *Grand Rapids* — Hardware Store
- *Ilford* — Winter Road
- *Leaf Rapids* — Cleaning Service; Outfitters
- *Manigotagan* — Forestry; Freighting; Cabinet Shop; Garage
- *Moose Lake* — Forestry
- *Norway House* — Taxi; Laundromat; Small Motor Repair; Construction; Commercial Fishing
- *Petersfield* — Manufacturing
- *Rivers* — Autobody
- *St. Laurent* — Freighting; Meat Packing
- *Ste. Rose du Lac* — Corral Cleaning
- *Scanterbury* — Construction
- *Sherridon* — Gas Bar
- *Stony Mountain* — Manufacturing
- *Teulon* — Restaurant; Hardware Store
- *The Pas* — Restaurant; Snack Bar; Home Repair; Confectionery; Retail Store; Equipment Repair; Lumber Store; Office Building; Laundromat
- *Thompson* — Construction; Well Drilling; Sporting Goods; Towing and Salvage; Hotel
- *Waasagomach* — Lumber Mill
- *Wabowden* — Tourist Camp, Forestry
- *Wanipigow* — Food Service
- *Waterhen* — Freighting
- *Winnipegosis* — Forestry

Fiscal Year	Applications Approved	Amount	Jobs Created and/or retained
1972	19	$ 389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
1983	31	2,138,275	138
1984	49	2,080,595	144
1985	63	2,326,548	172
1986	43	2,909,735	159
1987	66	3,573,294	215
	625	**$24,593,247**	**2,025**

Manitoba

Communities Economic Development Fund

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A and B and Schedules 1 and 2, of the Communities Economic Development Fund for the fiscal year ended March 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Communities Economic Development Fund as at March 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

January 15, 1988,
Winnipeg, Manitoba.

F.H. Jackson, C.A.,
Provincial Auditor.

Exhibit A

Communities Economic Development Fund

Balance Sheet

As at March 31, 1987
(with 1986 figures for comparison)

ASSETS		
	1987	**1986**
Cash	$ 148,730	$ 287,527
Short-term deposits with the Province of Manitoba	350,000	200,000
Amount due from Manitoba Development Corporation (notes 1 and 2(c))	215,457	392,644
Accounts receivable	17,297	8,525
Loans and interest receivable, less allowance for doubtful accounts $1,169,600 (1986 — $1,030,409) (note 4)	5,410,186	3,813,802
Office furniture and equipment at cost, less accumulated depreciation $33,149 (1986 — $24,500)	63,248	61,265
	$ 6,204,918	$ 4,763,763

LIABILITIES		
Accounts payable	$ 82,695	$ 48,540
Funds provided by the Province of Manitoba (note 3)	6,122,223	4,715,223
	$ 6,204,918	$ 4,763,763

SIGNED ON BEHALF OF THE BOARD

Director

Director

Exhibit B

Communities Economic Development Fund

Statement of Revenue and Expenditure

For the year ended March 31, 1987
(with 1986 figures for comparison)

	1987	1986
Revenue:		
Interest, loans	$ 497,224	$ 453,866
Miscellaneous	38,062	6,586
	$ 535,286	$ 460,452
Expenditure:		
General administrative, Schedule 1	873,397	760,683
Recovery from Manitoba Development Corporation for proportionate share of common administrative expenses (note 2(c))	—	(80,000)
Provision for doubtful accounts on loans receivable (note 4)	428,840	391,470
	1,302,237	1,072,153
Excess of expenditure over revenue	766,951	611,701
Less: Subsidy from the Manitoba Development Corporation (note 1)	766,951	611,701
	$ —	$ —

Schedule 1

Communities Economic Development Fund

Schedule of General Administrative Expenses

For the year ended March 31, 1987
(with 1986 figures for comparison)

	1987	1986
Consultants' fees and expenses	$ 32,576	$ 14,147
Depreciation	8,649	7,816
Directors' fees and expenses	48,507	50,873
Legal and audit	15,544	25,265
Office supplies and expenses	97,937	78,395
Salaries and employee benefits	592,328	519,049
Sundry	28,984	18,871
Travel	48,872	46,267
General administrative expenses, Exhibit B	**$ 873,397**	**$ 760,683**

Schedule 2

Communities Economic Development Fund

Report of Assistance Granted or to be Granted

For the year ended March 31, 1987

Loan recipient Area benefited — nature of operations	Interest Rate	Term	Amount
Allan McLeod Construction Ltd. Cross Lake — Construction	8 1/2%	6 months	$ 15,000
Barbeau, Arthur Moose Lake — Skidder operation	7 3/4%	33 months	28,000
Booth, Robert Ross Leaf Rapids — Cleaning Service	8 1/2%	3 years	21,000
Buck, Alvin Moose Lake — Skidder operation	8 1/4%	3 years	18,200
Burkart, Eric The Pas — Pizza Restaurant	8 1/2%	6 years	50,000
Campbell, Mabel Duck Bay — Taxi	8 3/4%	3 years	15,890
Canadian Pickles Corporation Stony Mountain — Manufacturing	8 1/2%	10 years	150,000
Carter, David Manigotagan — Skidder operation	7 3/4%	5 years	49,000
Catalano, Elena The Pas — Snack Bar	8 1/2%	4 years	15,000
Chartrand, Roy and Rita Teulon — Restaurant	8 3/4%	3 years	4,340
Cork, Irvin and Little, William Thompson — Construction	8 1/2%	3 years	20,000
Dan, John Garden Hill — Fast Food Service	7 1/2%	2 years	6,000
Draft Enterprises Ltd. Petersfield — Manufacturing	8 1/2%	1 year	95,500
Dumont, Yvette St. Laurent — Hauling	8 1/2%	2 years	23,880
Ettawakapow, Walter Norway House — Taxi	8 1/4%	3 years	20,000
Faroex Ltd. Gimli — Manufacturing	8 1/2%	3 months	115,000
Fort Island Enterprises Ltd. Norway House — Laundromat	8 1/4%	3 years	91,000
Francoeur, Louis and Richard The Pas — Home Maintenance Repair	8 1/2%	6 years	47,000
Fyk, Ben Garland — Freighting	8 1/2%	5 years	49,610
Gold Trail Hotel Ltd. Ilford — Construction of Winter Road	8 1/2%	8 months	20,500
Guyot, Gerald and Darlene Ste. Rose du Lac — Corral Cleaning	8 3/4%	4 years	38,000
Hayter, Doreen Thompson — Well Drilling	8 1/2%	10 years	50,820
Hebert, John and Roseanne The Pas — Confectionery	8 1/2%	1 year	23,000

Schedule 2

Communities Economic Development Fund (Cont'd)

Report of Assistance Granted or to be Granted (Cont'd)

For the year ended March 31, 1987

	Interest Rate	Term	Amount
Holt, Joseph Darryl			
Waterhen — Hauling	8 1/2%	5 years	62,370
Interlake Packers Ltd.			
St. Laurent — Meat Packing	8 1/2%	10 years	369,000
Johnston, Ethel			
Dauphin — Hair Salon	8 1/4%	4 years	23,750
Kaminski, Michelle			
Dauphin — Skin Care Operation	8 1/2%	4 years	37,600
Kossack, Patricia and Douglas			
Teulon — Hardware Store	8 1/2%	10 years	150,000
Lafreniere, Edmond and Ronald			
Winnipegosis — Logging	8 1/2%	3 years	115,600
Libbrecht, Alana			
The Pas — Retail T-Shirts	8 1/2%	4 years	14,000
Little, Larry			
Thompson — Sporting Goods Store	8 1/2%	5 years	114,000
	7 3/4%	5 years	59,000
Malcolm, Gerald			
Lundar — Skidder operation	7 3/4%	3 years	21,030
Manigotagan Development Ltd.			
Manigotagan — Forestry	8 1/2%	1 year	60,000
Manitoba Metis Housing Development Inc.			
Dauphin — Housing Construction	9%	2 months	44,000
McLeod, John			
Cross Lake — School Bus	8 1/2%	2 years	10,000
Moar, John Gilbert			
Rivers — Autobody Shop	7 3/4%	10 years	149,530
Monkman, Brian			
Norway House — Small Motor Repair	8 1/4%	3 years	15,100
Munroe, Gilbert			
Grand Rapids — Hardware Store	81/2%	3 years	10,300
Munroe, Joseph			
Garden Hill — Pool Hall	8 3/4%	4 years	10,000
Muskego, Orton			
Thompson — Towing and Salvage	8 1/2%	4 years	81,280
	8 1/2%	4 years	7,000
Nanowin, Walter			
Waasagomach — Lumber Mill	8 1/2%	5 years	12,600
N.D. Gunn Ltd.			
Norway House — Contractor			
— Loan	9%	3 years	150,000
— Guarantee	2%	1 year	200,000
Norway House Fisherman Co-operative Ltd.			
Norway House — Commercial Fishing	8 1/2%	4 months	25,000
Phillips, Henry			
Manigotagan — Trucking	8 1/4%	3 years	43,610
Plourde, Claude			
Manigotagan — Cabinet Shop	8 1/2%	7 years	88,500
Poirier, Arnold and Harold			
Wabowden — Tourist Camp	8 1/2%	4 years	10,000

Schedule 2

Communities Economic Development Fund (Cont'd)

Report of Assistance Granted or to be Granted (Cont'd)

For the year ended March 31, 1987

	Interest Rate	Term	Amount
Reid, Stan, Rec/Mgr.			
Thompson — Hotel	7 1/2%	3 months	10,000
Ross, Wilfred			
Cross Lake — Bus Shuttle Service	7 1/2%	3 years	22,500
Sanderson, George			
Wabowden — Skidder operation	8 1/2%	3 years	32,704
Seafalls Trucking Ltd.			
Thompson — Towing and Salvage	8 1/2%	4 years	85,780
Seymour, Henry			
Wanipigow — Restaurant	8 1/2%	3 years	17,000
	8 1/2%	5 years	8,000
Sklepowich, Harold			
Manigotagan — Skidder operation	8 1/2%	3 years	39,000
Spencer, Bonita			
The Pas — Confectionery	8 3/4%	5 years	33,800
Tee Pee Outfitters Inc.			
Leaf Rapids — Outfitters	8 3/4%	6 years	75,000
The Pas Heavy Equipment Repair Ltd.			
The Pas — Equipment Repair	8 1/2%	1 year	35,000
The Pas Indian Band			
The Pas — Lumber Store	10%	10 years	20,000
The Pas Region Metis Cultural Centre Inc.			
The Pas — Office Building	8 1/2%	9 years	90,000
W.F. Holt Enterprises Ltd.			
Waterhen — Trucking	10%	3 years	7,000
Weeba Construction Ltd.			
Scanterbury — Contractor	10%	10 years	125,000
Wood, Lorne			
Manigotagan — Garage	8 1/4%	10 years	54,500
59512 Manitoba Ltd.			
The Pas — Laundromat	8 1/2%	6 years	47,000
65893 Manitoba Ltd.			
Dauphin — Audio store	8 1/2%	Demand Loan	21,000
			$3,573,294

Communities Economic Development Fund

Notes to the Financial Statements for the year ended March 31, 1987

1. **Nature of the Fund**

The Communities Economic Development Fund was established as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result the Fund depends, to a certain extent, on a subsidy from the Manitoba Development Corporation (MDC).

MDC provides the subsidy required by the Fund to the extent of the Fund's excess of expenditure over revenue.

In consideration of applications for assistance to establish or expand small to medium-sized economic enterprises, the Fund shall continue to place emphasis upon the economic development of Northern Manitoba. At the discretion of the Fund, however, applicants from other communities within the Province, with the exception of the larger centres, shall not be precluded from consideration.

2. **Significant Accounting Policies**

(a) General

The accompanying financial statements have been prepared on an accrual basis, except for the accounting for pension costs as set out in (d) below.

(b) Allowance for doubtful accounts

The allowance for doubtful accounts regarding possible losses on outstanding loans is determined on an individual account basis.

(c) General administrative expenses (Schedule 1)

The Communities Economic Development Fund is jointly administered with the Manitoba Development Corporation. At the year end, common administrative expenses are reviewed and allocated between MDC and the Fund on a proportionate basis as determined by officials of MDC and the Fund. The difference between the administrative expenses paid by the Fund and the prorated administrative expenses are reflected as either a recovery of administrative expenses or as a reimbursement to MDC for the Fund's share of common administrative expenses. In fiscal 1987 the difference was not significant and, therefore, a recovery was not required.

(d) Pensions

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of The Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Such payments will be charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Fund's employees amounted to $475,731 as at December 31, 1986 ($396,480 as at December 31, 1985).

(e) Depreciation

Office furniture and equipment is depreciated at 10% on a straight line basis.

3. **Funds provided by the Province of Manitoba**

Funds are provided by the Province by way of conditional grants for a revolving fund for the purpose of making direct loans and for loan guarantees. In the event that the revolving fund increases beyond the amount provided by the Province, such increases would be repayable to the Province. If the Communities Economic Development Fund should cease operations, then all remaining funds would be returned to the Province.

Notes to the Financial Statements (Cont'd) for the year ended March 31, 1987

The funds provided are as follows:

	1987			1986
	Direct Loans	Loan Guarantees	Total	Total
Balance, beginning of year	$4,615,223	$100,000	$4,715,223	$4,315,223
Funds provided during the year	1,407,000	—	1,407,000	400,000
Balance, end of year	$6,022,223	$100,000	$6,122,223	$4,715,223

The balance of available capital authority as at March 31, 1987 is $3,400,000 for direct loans and $1,400,000 for loan guarantees.

4. **Allowance for Doubtful Accounts**

The change in the allowance is accounted for as follows:

	1987	1986
Balance, beginning of year	$1,030,409	$1,386,100
Provision during the year	428,840	391,470
	1,459,249	1,777,570
Less: Accounts written off (net of recoveries)	289,649	747,161
Balance, end of year	$1,169,600	$1,030,409

5. **Loan Commitments and Contingent Liabilities**

	1987	1986
(a) Loan commitments — undisbursed balance of approved loans	$ 552,679	$ 952,247
(b) Contingent liability — bank loan guarantees	$ 214,000	$ 364,000

(c) Contingent liability — in 1980, a judgement was rendered against the Fund which resulted in certain real property being returned to the Plaintiff. An assessment of damages is still to be decided upon by the Courts. The Fund is of the opinion that any damages assigned would not be significant.

6. **Subsidiary**

In order to prevent a significant loss, the Fund incorporated 74949 Manitoba Ltd. to operate a towing company in northern Manitoba. 74949 Manitoba Ltd. operated for about two months until a purchaser was found. This company is in the process of being wound down and will be allowed to lapse once all collections and payments are complete.

A summary of the transactions in the fiscal period are as follows:

Receipts	$ 21,613
Disbursements	31,528
Excess of disbursements over receipts	$ (9,915)

The cash receipts deficiency is provided for in the Allowance for Doubtful Accounts. No significant liabilities exist as at March 31, 1987.

Communities Economic Development Fund

A source of financing for business in remote and isolated communities in Manitoba

What Kind of Assistance Does the Fund Provide?

Assistance from the Fund is usually in the form of a term loan to help establish or expand businesses. The Fund also assists community development corporations.

Local ownership and control of the business applying for assistance will be considered of prime importance. The Fund will assess the effect of its assistance on the community and on working conditions and wage levels as well as ensure that continuing training and upgrading of skills of the workers involved is made available.

Types Of Business?

All types of small businesses ranging from manufacturing to service industries are eligible for assistance.

Assistance is determined on the basis of each applicant's requirements.

Geographical Location

In consideration of applications for assistance to establish or expand small to medium-sized economic enterprises, the Fund will emphasize economic development of northern Manitoba.

Interest Rate

Current interest rates can be learned by enquiry to the Fund. The rate of interest at the time a loan is approved is fixed for the life of the loan.

What Security Is Required?

In determining the extent to which the loan or loans shall be secured, the Board shall take into consideration the nature and location of the fixed and other assets being financed.

What Conditions Must The Applicant Fulfill?

a) There must be assurance of repayment from the earnings of the business.

b) There must be evidence of the ability to operate the business successfully. Where, in the opinion of the Fund, an applicant requires management or other training, the Fund may insist that the applicant undertake a training programme before any loan commitment is made. To this end, the Fund may assist in applying for any available grant to cover these costs.

c) The applicant cannot obtain sufficient monies from other sources on reasonable terms.

d) The applicant provides available equity, in cash or otherwise, to the business to be financed.

How Are Loans Repaid?

The Fund will set the rate of repayment to suit the need of individual borrowers.

Does The Fund Provide Technical And Other Assistance For Loan Applicants?

Yes, in accordance with the specific requirements of each applicant and business.

How Does The Fund Relate To Other Programmes?

The Fund may provide assistance to businesses eligible for Provincial and Federal programme assistance.

The Fund also participates in the "packaging" of projects in co-operation with other agencies and programmes.

How To Apply?

Requests for information should be addressed to the General Manager, 1800 - 155 Carlton St., Winnipeg, Manitoba, R3C 3H8 or P.O. Box 640, 135A Evergreen Place, 74 Cree Road, Thompson, Manitoba, R8N 1N4.